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C O N F I D E N T I A L SECTION 01 OF 04 SINGAPORE 000102

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SUBJECT: SENATOR BOND IN SINGAPORE: TAKING THE PULSE OF THE
REGION AND APEC

Classified By: Classified by Charge d'Affaires, a.i., Joel Ehrendreich,
reason 1.4 (b) and (d).

11. (C) Summary. Over the course of a full day of meetings, Senator Kit Bond spoke with numerous Singaporean leaders and intellectuals on a broad range of regional issues, to include U.S.-Singapore relations, Indonesia, China, India, Vietnam, Malaysia, Thailand, Burma, as well as economic opportunities in the region for U.S. business and U.S. strategic interests in the region. The Senator also met with the newly arrived Executive Director of APEC, where he took the opportunity to stress the need for Southeast Asian countries to improve transparency and rule of law, and to reduce corruption in order to attract significant new U.S. investment. End Summary.

----- The Meetings -----

12. (C) Senator Christopher "Kit" Bond traveled to Singapore for several meetings with Singaporean leaders, intellectuals and others on January 8. The Senator was accompanied by professional staff members (Senate Select Committee on Intelligence) Louis Tucker and Gordon Matlock, along with Legislative Assistant for Foreign Policy Michael Dubois. During the course of the day, the Senator met with Minister Mentor Lee Kuan Yew, Prime Minister Lee Hsien Loong, Foreign Minister George Yeo, Asia Pacific Economic Cooperation (APEC) Executive Director Muhamad Noor Yacob, Ambassadors Ong Keng Yong and Tan Keng Jin, and professors Zheng Yongnian and Leonard Sebastian. He also met with Internal Security Department Director Pang Kin Keong (reported separately).

----- Promoting U.S. Business, but the Region Needs to Build
an Attractive Environment -----

13. (C) The Senator assured his interlocutors that he was fighting hard to keep America from going down a path of protectionism, emphasizing his belief that maintaining free and open trade is especially crucial in a global recession and adding that the Southeast Asia region needed to do its part by also combating protectionism, addressing corruption, protecting intellectual property rights, and having institutions in place to provide for transparent business practices which respect the sanctity of contracts and agreements. American companies are very interested in investing in the region and could potentially bring tens of thousands of jobs, Senator Bond explained, but will be wary of investing in countries where fair and reliable business practices are not in place. Private U.S. investment is our best development tool, the Senator said, which could be leveraged to bring new technologies to the region and help develop small and medium enterprises. He added that investment in the region promotes the United States' relationships and is a key to our long-term economic interests, and pointed to the Trans-Pacific Strategic Economic Partnership (TPP) as an excellent potential vehicle

for a model trade agreement for the region for the future. Foreign Minister Yeo agreed on the importance of the TPP, as well as the hope that TPP negotiations will be completed by the time the United States hosts APEC in 2011. Yeo noted that China would prefer a system of bilateral or regional agreements in which it could dominate its partners, while the TPP, on the other hand, would pull all of Asia along and would "keep everyone honest."

14. (C) Numerous interlocutors expressed their appreciation for the Senator's commitment to free trade and to fighting protectionism. Prime Minister Lee said the Singapore government has been trying to encourage American leadership on free trade, assessing that the Administration believes in free trade at heart but could be doing more to demonstrate it. Citing two cases of anti-dumping measures the USG has taken on Chinese products, the Prime Minister suggested U.S. actions would be seen as protectionist.

----- U.S.-Singapore Relations -----

15. (C) FM Yeo affirmed that Singapore and the United States share almost identical interests on all core foreign policy issues. Minister Mentor Lee began his conversation with Senator Bond by saying Singapore has had a long relationship with the United States and "we know who are friends are and who are not our friends." He described the "difficult position" the United States was in with regard to terrorism, noting that the USG position is to close Guantanamo Bay, however we are now faced with a dilemma of released prisoners potentially being involved in new attacks on the U.S., a problem exacerbated by connections to Yemeni terrorists

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stemming from the December 25 attempted bombing of a Northwest Airlines jet. The USG "may have to do a U-turn" or get blamed for a possible future attack, MM Lee surmised, adding that President Obama could tell the American people that having been presented with new facts since the campaign, he had to change course. MM Lee also described Afghanistan as a major problem facing the United States, noting the treacherous nature of Afghan fighters and the fact that history was full of armies who had been defeated in Afghanistan. He hoped the United States would not pull its troops out of Afghanistan before the security situation was stabilized, even if that meant going beyond the stated plan of beginning withdrawals in 2011.

----- Outlook on Indonesia Darkening -----

16. (C) Several interlocutors gave gloomy assessments of the recent path Indonesia was taking. Foreign Minister Yeo agreed with the Senator that corruption was a major obstacle to overcome in Indonesia and said that Singapore businesses have also suffered from this cause. Professor Sebastian went as far to say that Indonesia's institutions are "rotten to the core," and suggested that the way forward was through new institutions, citing the Constitutional Court as a promising example. Sebastian said President Yudhoyono's (SBY) government lacked a Jusuf Kalla figure -- someone with the political skills to take aggressive action to advance government reform -- and added that the United States should be urging SBY to think about his political legacy and to focus on combating corruption in Indonesia. Prime Minister Lee encouraged Senator Bond to discuss corruption directly with SBY, but said he wasn't sure Jakarta would be able to implement necessary basic changes; while SBY wants to go down as the greatest president in Indonesian history, reforming corruption is "beyond his powers," the Prime Minister said. Minister Mentor Lee described the quandary SBY faced over a couple current corruption scandals in his government and expressed his disappointment that the controversy would likely prohibit SBY from achieving the reforms that would be necessary to fundamentally change Indonesia's investment climate.

----- Vietnam: Most Promising -----

17. (C) Asked by the Senator what is the most promising country in the region, the Minister Mentor quickly pointed to Vietnam. He told a story of his own counseling of Vietnamese leaders in the 1990s, where he said the key to market reform was to stick to promises and to not change halfway. While Vietnam's upper echelon still has the guerrilla mindset of the past generation, the younger Vietnamese are learning an open market system and slowly Vietnam has begun to change, he said. Vietnam also respects intellectual property rights and the sanctity of contracts, the Minister Mentor stated. Prime Minister Lee said that while Vietnam is not as cohesive as China, Singaporean investments are doing quite well in the country. He added that while Prime Minister Dung is a reformist, the corruption that is inevitable when introducing an open market has left the reformists vulnerable to attacks from conservatives. Professor Zheng and Ambassador Ong agreed that Vietnam is concerned about increasing Chinese influence in the country and Zheng noted Hanoi is particularly wary of China's development of Hainan as a center of tourism due to the island's proximity to controversial areas in the South China Sea.

----- Thailand in Trouble -----

18. (C) Thailand's image has been badly tarnished in recent months, and the question of succession of King Phumiphon poses additional challenges for the country, several people told Senator Bond. Minister Mentor Lee believed the Queen was fooling herself if she believed she could control the Crown Prince as king, adding that former President Thaksin had influence over the Crown Prince and a score to settle with several generals. Foreign Minister Yeo also predicted trouble when King Phumiphon passes, citing Thailand's "puerile" political institutions for which the King has set himself up to be the ultimate arbiter -- institutions which will have difficulty coping with an unpopular new king.

----- China and India and the Battle for Regional Influence -----

19. (C) Minister Mentor Lee described the most important trend in the region as being the growth of powerhouses China and India, noting that Singapore is at the crossroads of their battle for influence so can benefit from the competition.

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The strength of both China and India's economies contributed to Singapore being able to bounce back quickly from recession, he said. Foreign Minister Yeo said that the rise of China means that all of Southeast Asia wants the United States and India to play a bigger role in the region. He said that Singapore favored including India in the East Asia Summit (along with Australia and others) to counterbalance China, but cautioned that regional players must handle the Indians in a thoughtful way, characterizing them as having a "strong amour-propre." Ambassador Ong said that all Southeast Asian countries are concerned about China's new assertiveness; the "charming phase of Chinese diplomacy toward the region is over, he believes, and China is becoming more assertive in both diplomacy and business. Discussing the United States relations with the region, FM Yeo expressed the belief that Japan under and Ichiro Ozawa-led DPJ will try to improve relations with China, but will not shift too far from the United States. "In the long term, Japan will be a more reliable partner (for the United States) than South Korea," he stated.

----- U.S. Engagement with Burma Welcomed, Patience Urged -----

110. (C) Foreign Minister Yeo said all ten ASEAN countries welcomed the U.S. move to engage ASEAN comprehensively, noting the relationship had previously "foundered on the rock of Myanmar." While acknowledging that Burma is still a

serious issue, FM Yeo said there is now hope that the Burma problem will no longer be the defining issue for the region in American eyes. FM Yeo cautioned against any expectation of near-term political opening in Burma. Although Burma's 2010 election will bring in a new government, the generals will certainly retain their power, even if Aung San Suu Kyi is given the opportunity to play a political role, he said. Both FM Yeo and MM Lee described Singapore's long-term view of Burmese political development, expecting little in the short term. Rather, Singapore looks forward to generational change, with MM Lee noting "They (the junta's leadership) will die sometime" and FM Yeo saying "people get old, people die, things happen." MM Lee said many of the junta's leaders come to Singapore for medical treatment, and that Singapore "has a good idea" of who are the ailing ones. FM Yeo added that Burma does not want to be too close to China, and that while Burma has opened itself up to infrastructure projects from Beijing, it has also courted similar projects from India and ASEAN in an effort to keep its strategic options open. FM Yeo cautioned the U.S. not to push Burma in "the wrong direction."

----- Malaysia's Competing Dangers -----

¶11. (C) Prime Minister Najib faces danger from three internal sources according to Ambassador Ong: Islamists, the democratic opposition, and Malay ultra-nationalists. In order to accomplish anything, Najib has to manage all of these groups, he said, and the groups are consciously leveraging their position to demand more from the national government. Ambassador Tan agreed with Ong's assessment and added that the Prime Minister and opposition parties were trying to "out-Islam" each other in an appeal for popular support. Minister Mentor Lee said that race politics have created a divided society, citing divisions between urban and rural Malays, manifested most recently in the "rampage" by Muslims over the use of the word "Allah" by non-Muslims. PM Najib is attempting to position himself to be seen as the defender of Islam, the Minister Mentor opined.

----- APEC Executive Director: Team Building and Focus on Core Mission -----

¶12. (C) Senator Bond stressed the importance of free trade and investment liberalization, to include expansion of the TPP, with Ambassador Muhammad Noor Yacob, the Executive Director of the APEC secretariat. Ambassador Noor, who had just assumed office on January 4, expressed thanks to the U.S. for its many various contributions to APEC. His immediate emphasis will be to instill a sense of team and teamwork in the secretariat, with a longer term focus on the organization's core mission of trade and investment liberalization. The Senator and Ambassador Noor agreed on the benefits of agriculture technology in addressing food security, as well as technology driven solutions for greener ways of producing energy, with Noor noting that Japan, as host of APEC for 2010, was highlighting 'knowledge-based growth.' Senator took the opportunity to stress the need for Southeast Asian countries to improve transparency and rule of law, and to reduce corruption in order to attract significant

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new U.S. investment.

¶13. (U) Codel Bond has cleared this message.
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